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**FISCAL IMPACT STATEMENT**

**LS 6289**

**BILL NUMBER:** HB 1029

**NOTE PREPARED:** Mar 22, 2006

**BILL AMENDED:** Mar 14, 2006

**SUBJECT:** Education.

**FIRST AUTHOR:** Rep. Buell

**FIRST SPONSOR:** Sen. Kenley

**BILL STATUS:** Enrolled

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** *School Bus Purchasing:* The bill provides that the Indiana Bond Bank may purchase school buses for sale or lease to school corporations. It also relaxes certain restrictions on a school corporation when the school corporation seeks to buy or lease a school bus from the Indiana Bond Bank.

*College Savings Plan Credit:* The bill provides a credit against the Adjusted Gross Income Tax liability of: (1) an individual; or (2) a married couple; for contributions to an Indiana College Choice 529 Investment Plan in the amount of 20% of the contributions made by the individual or married couple during the taxable year, to a maximum of \$1,000.

*University Installment Contracts:* The bill provides that certain installment contracts entered into by state universities are exempt from certain requirements governing bond issues.

*University Bond Issuance:* The bill permits certain bonds issued by Purdue University for deferred repair and rehabilitation expenses to be issued without the prior approval of the General Assembly.

It permits refunding bonds to be issued without the approval of the State Budget Committee and the Governor.

The bill authorizes Indiana University and Purdue University to issue revenue bonds for facilities if: (1) the facilities are at the West Lafayette, Indianapolis, or Bloomington campuses; (2) the facilities are used for clinical, medical, scientific, engineering, or other similar research purposes; and (3) revenue will be available in an amount at least equal to debt service for the bonds and the annual costs to operate the facilities. It prohibits the universities from paying the debt service requirements and maintenance expenses of the research

facilities from student fees or money appropriated by the General Assembly.

The bill gives legislative approval to the following projects: (1) Indiana State University for bonding for a student recreation center project; (2) Ball State University to issue bonds for renovation and expansion of a recreation center; (3) the University of Southern Indiana to issue bonds for a university center expansion.

***University Tuition and Fees:*** The bill authorizes a state educational institution to set tuition and fee rates for certain students.

**Effective Date:** Upon Passage; July 1, 2006; January 1, 2007.

**Explanation of State Expenditures: Department of State Revenue (DOR):** The DOR will incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate the tax credit for contributions to Indiana College Choice 529 Investment Plan accounts. The DOR's current level of resources should be sufficient to implement these changes.

***University Installment Contracts:*** The bill provides that certain installment contracts entered into by state universities are exempt from certain requirements governing bond issues. These provisions could reduce administrative costs and reduce the time to issue the contracts.

***University Bond Issuance:*** The bill includes the following provisions regarding bond issuance by state universities.

(1) The bill permits certain bonds issued by Purdue University for deferred repair and rehabilitation expenses to be issued without the prior approval of the General Assembly. This provision could increase Purdue's ability to issue bonds for deferred repair and rehabilitation. The total amount of these bonds may not exceed \$60 M. These bonds would not be eligible for fee replacement.

(2) The bill permits state universities to issue refunding bonds without the approval of the State Budget Committee and the Governor. This provision could reduce administrative costs and allow universities to take advantages of drops in interest rates more quickly.

(3) The bill permits Indiana University and Purdue University to issue revenue bonds for facilities if: (1) the facilities are at the West Lafayette, Indianapolis, or Bloomington campuses; (2) the facilities are used for clinical, medical, scientific, engineering, or other similar research purposes; and (3) revenue will be available in an amount at least equal to debt service for the bonds and the annual costs to operate the facilities. This provision should not have any state fiscal impact since the bonds are not eligible for fee replacement. In addition, the bill prohibits student fees or money appropriated by the General Assembly from being used to maintain the research facilities.

(4) The bill authorizes the university bond issues listed below. The bill provides that the projects are not eligible for fee replacement or plant expansion funding.

- (a) \$24 M for Indiana State University to construct, furnish, and equip the Student Recreation Center Project,
- (b) \$39 M for Ball State University to renovate and expand a recreation center, and
- (c) \$4 M for the University of Southern Indiana to construct, furnish, and equip a university center expansion.

**University Tuition and Fees:** The bill allows a university, that did not set the 2006-2007 tuition and fees for nonresident undergraduate students and resident and nonresident graduate and professional students at the time they set their resident undergraduate tuition and fees, to set these 2006-2007 tuition and fees such that the increase is not greater than the increase from the 2005-2006 school year. The provision should not have any state fiscal impact.

**Explanation of State Revenues: College Savings Plan Credit:** The tax credit could potentially reduce state AGI Tax liabilities for individual taxpayers who make contributions to Indiana College Choice 529 Investment Plan accounts. The revenue loss due to the credit could potentially total \$3.2 M in FY 2008, with the total potentially increasing by about 5% annually thereafter. Potentially, the revenue loss could be higher to the extent that the credit encourages contributions to Indiana 529 Plan accounts that would otherwise not occur.

**Background:** The bill creates a non-refundable AGI Tax credit for taxpayers who make contributions to Indiana College Choice 529 Investment Plan accounts. The credit is equal to 20% of the amount of each contribution made during the taxable year, with a maximum credit of \$1,000. The tax credit is non-refundable, and taxpayers are not entitled to carry back or carry forward unused credits. In addition, the bill specifies that a taxpayer may not transfer credits to another taxpayer. Since the credit is effective beginning in tax year 2007, the fiscal impact would begin in FY 2008. Eighty-six percent of the revenue from the AGI Tax on individuals is deposited in the state General Fund, and 14% of this revenue is deposited in the Property Tax Replacement Fund.

The estimated revenue loss is based on 2004 account and contribution totals for the Indiana 529 Plan. In 2004, approximately 8,944 Indiana resident account holders contributed about \$19.4 M to accounts of the Indiana 529 Plan. The distribution of account holders by annual contribution amount is presented in the table below.

Contribution Range	Count	Total Contributions	Average Contribution	Tax Credit
Less than \$1,000	5,473	\$1,307,617	\$239	\$48
\$1,000 - \$1,999	1,375	\$1,838,982	\$1,337	\$267
\$2,000 and above	2,096	\$16,235,315	\$7,746	\$1,000
Total	8,944	\$19,381,914		

Based on account totals and average contributions, creditable contributions in 2004 would have totaled about \$2.7 M. Information from prior years suggests that normal annual growth in creditable contributions could potentially be about 5%.

**Explanation of Local Expenditures: School Bus Purchasing:** The use of the Bond Bank to purchase school buses could reduce the finance and interest costs of school corporations. Lease agreements or purchase agreements between a school and the Bond Bank would not require the Department of Local Government Finance approval if the agreement conforms to the school bus plan. The property tax levy for school buses was about \$73 M for CY 2005.

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue; Indiana Bond Bank; State universities.

**Local Agencies Affected:** Local Schools.

**Information Sources:** Susan Loftus, Indiana Education Savings Authority, (317) 232-5259.

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